

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7822

BILL NUMBER: SB 412

NOTE PREPARED: Jan 30, 2003

BILL AMENDED:

SUBJECT: Custodial Accounts.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF) to manage the funds' custodial accounts using a bank or trust company that: (1) is organized or reorganized under the laws of a state or the United States; and (2) regularly, systematically, and on a continuing basis accepts deposits and makes loans at its principal office or an authorized branch in Indiana.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The proposal would remove any out-of-state vendors who do not regularly, systematically, and on a continuing basis accept deposits and make loans at its principal office or an authorized branch in Indiana from being considered as account custodians.

Background Information: Both PERF and TRF were using National City Bank (NCB) Indianapolis to manage their custodial accounts. PERF was paying NCB approximately \$2 M per year, while TRF was paying about \$1 M per year. As of January 1, 2003, TRF is using Northern Trust from Chicago, and will be paying approximately \$250,000 per year for custodial services. [Note: The original estimate of \$150,000 for TRF did not include a second part of the Northern Trust contract.] PERF has issued a Request For Proposal (RFP) for custodial services. PERF expects to pay less than \$1 M for such services for the coming year.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund and the Teachers' Retirement Fund.

Local Agencies Affected:

Information Sources: Doug Mills, Chief Financial Officer of PERF, 234-2075; Bob Newland, Chief Investment Officer of TRF, 232-3868; Phil Goddard, Department of Financial Institutions, 232-3955.

Fiscal Analyst: James Sperlik, 317-232-9866.